

## CHAPTER 11

**REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION REPORTING**★1101 GENERAL110101. Purpose.

A. All stewardship information is deemed “required supplementary stewardship information” (RSSI) by the Office of Management and Budget (OMB), and all federal agencies are required to report RSSI. This reporting requirement is predicated on stewardship over resources entrusted to federal agencies and the responsibilities assumed by that stewardship. The need to report information in this manner is due to the unique nature of the federal government.

B. This chapter provides the Department of Defense (DoD) guidance and instructions for preparing the RSSI.

★110102. Stewardship Categories. There are three categories of RSSI (Stewardship property, plant, and equipment (PP&E); Stewardship Investments; and Stewardship Responsibilities). The DoD shall report RSSI for the categories of Stewardship PP&E and Stewardship Investments. The DoD is not required to report RSSI for Stewardship Responsibilities. For the DoD, the two applicable categories of RSSI and their subcategories follow:

A. Stewardship PP&E. Stewardship PP&E (also referred to as Stewardship Assets) is PP&E owned by the DoD that meets the definition of one the following:

1. National Defense PP&E. National Defense (ND) PP&E consists of weapon systems, components of weapon systems, mission support PP&E, and weapon systems support real property used by the DoD or its Components in the performance of military missions.

2. Heritage Assets. Heritage Assets are items of historical, natural, cultural, educational, or artistic significance or items with significant architectural characteristics.

★3. Stewardship Land. Land not acquired for, or in connection with items of General PP&E, is Stewardship Land. “Acquired for or in connection with” is defined as including land acquired with the intent to construct General PP&E and land acquired in combination with General PP&E, General PP&E’s common grounds. Land classified as Stewardship Land shall be reported as required supplementary stewardship information accompanying the financial statements of the DoD, and each DoD Component responsible for such land. Stewardship Land shall be reported in terms of physical units (acres) rather than cost or fair value. Without exception, all land provided to DoD from the public domain, or at no cost, shall be classified as Stewardship Land, regardless of its use. Therefore, public domain or



no-cost land used in a General PP&E context shall be reported as Stewardship Land and not reported as General PP&E.

B. Stewardship Investments. Stewardship Investments are expenses that are part of net cost calculation and merit special treatment to highlight their substantial investment and long-term benefit nature. There are three subcategories of Stewardship Investments (Non-Federal Physical Property, Research and Development, and Human Capital). The DoD is only required to report investments in Non-Federal Physical Property and Research and Development. The Human Capital subcategory is not applicable to the DoD.

★1. Non-Federal Physical Property Investments. Investments in Non-Federal Physical Property are incurred by the DoD for the purchase, construction, or major renovation of physical property owned by state and local governments, including major additions, alterations, and replacements; the purchase off major equipment; and the purchase or improvement of other physical assets. In addition, Non-Federal Physical Property Investments includes Federally-owned physical property transferred to state and local governments.

★2. Research and Development Investments. Investments in Research and Development are included in calculating the cost of research and development programs that are intended to increase or maintain national economic productive capacity or yield other future benefits shall be reported as investments in research and development in a supplemental stewardship report. For the DoD, Budget Activities 1 through 7 contain research and development programs that are applicable to this reporting requirement.

★1102 ND PP&E

★110201. General. The Military Departments shall disclose Supplementary Stewardship Report information pertaining to their National Defense PP&E. A report (Figure 11-1), titled “National Defense Property, Plant, and Equipment,” shall be used to disclose the quantities, additions, and deletions of ND PP&E, and a report (Figure 11-2), titled “National Defense Property, Plant, and Equipment - Yearly Investment,” shall be used to disclose the annual acquisition costs of ND PP&E. Specific guidance for the preparation of each report follows.

★110202. ND PP&E - Quantities Report. The DoD Components shall report the quantities of ND PP&E for which they are accountable. The ND PP&E to be included are those assets that are in an active status, including assets in a regular maintenance cycle and assets being overhauled, refurbished, and modified. The ND PP&E that have entered the disposal cycle or are in long-term storage (e.g., mothballed ships) should not be included in the report but must be disclosed in the narrative statement to the table. The report format is shown in Figure 11-1.

A. Specific guidance for report preparation follows.

★1. Column (a). Only the categories and major types of ND PP&E shown in Figure 11-1 shall be used. Do not use a category or major type not shown. If a category or major type is not applicable to a Military Department, it shall not be displayed in the



report (e.g., ships by the Department of the Air Force). Category definitions and examples of each major type of ND PP&E are included in the DoD PP&E Accountability Regulation to be issued by the Office of the Under Secretary of Defense (Acquisition & Technology) (OUSD(A&T)). If a Military Department identifies ND PP&E that is not properly classified in one of the specific subcategories of the major asset groupings shown in Figure 11-1, those assets should be classified as “Other” within that major asset grouping. For example, if the Navy has an aircraft which is not considered combat or airlift, then the quantities of that aircraft should be included in the “other aircraft” subcategory.

★2. Column (b). Report the quantity of ND PP&E for each major type identified in Column (a), as of the close of the prior year (or as of the beginning of the reporting year). Draft accountability guidance proposed by OUSD(A&T) may necessitate the need for DoD Components to reclassify assets reported as of the close of fiscal year (FY) 1998. For FY 1999, this column may not agree with the quantities reported for each category at the end of FY 1998. The reclassifications made between categories as of the beginning of the reporting year should be explained in the narrative statement to the table. These reclassifications should not affect columns (c) through (f).

★3. Column (c). Report the additions of ND PP&E acquired after the beginning of the fiscal year for each major type identified in Column (a).

NATIONAL DEFENSE PROPERTY, PLANT, AND EQUIPMENT For Fiscal Year Ended September 30, 19CY (Stated in Number of Systems or Items)					
(a)	(b) As Of 10/01/CY	(c) Additions	(d) Deletions	(e) As Of 09/30/CY	(f) Condition % Operational
<u>National Defense PP&amp;E</u>					
1. Aircraft					
A. Combat					
B. Airlift					
C. Other					
2. Ships					
A. Submarines					
B. Aircraft Carriers					
C. Surface Combatants					
D. Amphibious Warfare Ships					
E. Mine Warfare Ships					
F. Support Ships					
G. Other Ships					
3. Combat Vehicles					
A. Tracked					
B. Wheeled					
C. Towed					
D. Other					

Figure 11-1



- 4. Guided, Self-propelled Ordnance
  - A. Missiles
  - B. Torpedoes
- 5. Space Systems
  - A. Satellites
- 6. Other
  - A. Other Weapon Systems
- 7. Weapon Systems Support Real Property
  - A. Active Ammunition Bunkers
  - B. Active Missile Silos
  - C. Active Satellite Ground Stations
  - D. ★Other

Narrative Statement

★Figure 11-1 (Cont.)

★4. Column (d). Report the quantity of ND PP&E dispositions for each major type identified Column (a). Dispositions may include assets that have been sold, transferred, involved in accidental crashes, or lost during military conflicts. Dispositions also include the number of items transferred into the disposal cycle or long-term storage.

5. Column (e). Report the year-end balance of ND PP&E for each major type identified in Column (a). The amount in this Column (e) shall equal the amount in Column (b) plus the amount in Column (c) minus the amount in Column (d).

★6. Column (f). Report the percentage of the ND PP&E year-end balances that are operational. Operational ND PP&E is defined as those items that are mission capable. Items that have entered the disposal cycle and long-term storage are not included in this table but are reported in the narrative statement.

B. Narrative Statement. The report shall include a narrative statement that provides the following:

★1. Include the following information in the Required Supplementary Stewardship Information section verbatim for all DoD reporting entities that have National Defense PP&E Stewardship information to report for FY 1999:

As of the date these statements were prepared, the Federal Accounting Standards Advisory Board (FASAB) had not determined the final reporting requirements for National Defense property, plant and equipment (ND PP&E). Therefore, the Department of Defense (DoD) elected to report ND PP&E in FY 1999 in the same manner as ND PP&E was reported in fiscal year (FY) 1998. For FY 1998, the DoD implemented early, as encouraged by the FASAB, then proposed amendments to the



Statement of Federal Financial Accounting Standards (SFFAS) No. 6, "Accounting for Property, Plant and Equipment," and No. 8, "Supplementary Stewardship Reporting." Those amendments required ND PP&E quantities, condition and investment trends to be reported for major types of ND PP&E. Since the FASAB did not adopt the proposed amendments to SFFAS No. 6 and No. 8, in electing to report in accordance with the proposed amendments to the standards, the DoD is not in full compliance with the existing reporting requirements contained in SFFAS No. 8 (SFFAS No.8 requires the Department to report acquisition costs). The DoD cannot fully comply with the SFFAS No. 8 reporting requirement because many of the Department's ND PP&E accountability and logistics systems do not contain a value for all or a portion of the ND PP&E assets. These systems were designed for purposes of maintaining accountability and other logistics requirements of ND PP&E, and not for reporting on the value of ND PP&E. Consequently, many of these systems do not accumulate costs or otherwise report values for individual items of ND PP&E.

The ND PP&E cost information is captured in the DoD accounting systems and reported in the Department's "Statement of Net Costs." However, the Department's accounting systems were designed to provide appropriated fund accounting reports required by the Congress, the Department and other applicable federal agencies. In addition, the Department's accounting systems were not designed to accumulate and retain costs for individual items of ND PP&E. Further, in many instances, even where values were recorded for some ND PP&E in some of the Department's systems, documentation (such as copies of purchase receipts) no longer is available to support such amounts. In part, such documentation is not available, because until recently, the Department was not required to maintain such documents for audit purposes. According to Title 36, Code of Federal Regulations, Chapter XII, "National Archives and Records Administration," receipts for the purchase of items such as ND PP&E are required to be retained for only 6 years and 3 months. Therefore, much of the supporting documentation that would be required to validate the reported values of ND PP&E for audit purposes no longer is available.

Due to the difficulties noted above, implementing the reporting requirements of the SFFAS No. 8 would be an enormous undertaking involving significant cost (requiring the expenditure of perhaps hundreds of millions of dollars). Given the complexity of the reporting requirements contained in the SFFAS No. 6 and SFFAS No. 8, the enormous cost of implementing those reporting requirements and the interim nature of the current reporting requirements, the Department is continuing its FY 1998 reporting display until such time as the Department has a better indication of the more permanent reporting requirements expected to be recommended by the FASAB. In the meantime, the Department believes that the most reasonable and responsible course of action is to report quantity information for the DoD's weapons systems until such time as the FASAB adopts permanent reporting requirements for ND PP&E.

★2. Information pertaining to significant increases or decreases in the quantities of ND PP&E, as shown in Columns (c) and (d). The information should identify or describe significant procurements and other actions, such as: excess disposals, sales, transfers, accidental crashes, losses during military conflicts, etc.

★3. Information explaining the condition percentages shown in column (f) of the report, when such percentages indicate that a significant quantity of the ND PP&E are not mission capable.



★4. Items in the disposal cycle and items in long-term storage should be disclosed separately. These items are not included in the quantities contained in this table. For items in the disposal cycle, the Components should include a discussion on the number of items disposed during the year and the expected timing of disposal of the items remaining.

★5. The narrative statement shall include a reference to the ND PP&E deferred maintenance disclosure in the required supplemental stewardship information of the financial statements.

★110203. ND PP&E - Yearly Investment Report. The DoD Components shall report their annual procurement outlays for all ND PP&E assets—not just the investment in major types of ND PP&E, as reported in Table 11-1. Annual amounts disclosed in this report shall be derived from the DoD Components' budget execution 1002 Report, "Appropriation Status by Fiscal Year Program and Subaccounts." The ND PP&E – Yearly Investment report format is shown in Figure 11-2. For FY 1999, only FY 1998 and FY 1999 investments shall be reported.

A. Specific guidance for preparing the report follows.

★1. Column (a). Only the categories shown in Figure 11-2 shall be used. Do not use a category not shown. If a category is not applicable to a Military Department or there are no acquisition costs for the reporting years, it should not be displayed in the report (i.e., ships by the Department of the Air Force). If a Military Department identifies ND PP&E that is not properly classified in one of the specific subcategories of the major asset groupings shown in Figure 11-2, those assets should be classified as "Other" within that major asset grouping. For example, if the Navy has an aircraft which is not considered combat or airlift, then the quantities of that aircraft should be included in the "other aircraft" subcategory.

★2. Columns (b) and (c). Report procurement outlays, rounded to millions of dollars, by the types of ND PP&E in Column (a) for each year. Such amounts shall be obtained from the fiscal year-end 1002 Report, "Appropriation Status by Fiscal Year Program and Subaccounts." Column (c) is the cost for the reporting year (FY 1999). Column (b) is the year prior (FY 1998).

★3. Report Footnotes. The report shall contain three footnotes. The first and second footnotes shall provide examples of the ND PP&E reflected in the subcategories of General Mission Support PP&E and Weapon Systems Support Real Property. The third footnote shall state the following "Investment values included in this report are based on outlays (expenditures). Outlays are used instead of acquisition costs, because current DoD systems are unable to capture and summarize Procurement Appropriation acquisition costs in accordance with accounting standards."



NATIONAL DEFENSE PROPERTY, PLANT, AND EQUIPMENT YEARLY INVESTMENTS For FY 1998 and FY 1999 (In Millions of Dollars)		
(a)	(b)	(c)
<u>National Defense PP&amp;E</u>	<u>FY 1998</u>	<u>FY 1999</u>
1. Aircraft		
A. Combat		
B. Airlift		
C. Other		
D. Aircraft Support Principal End Items		
E. Other Aircraft Support PP&E		
2. Ships		
A. Submarines		
B. Aircraft Carriers		
C. Surface Combatants		
D. Amphibious Warfare Ships		
E. Mine Warfare Ships		
F. Support Ships		
G. Other Ships		
H. Ship Support Principal End Items		
I. Other Ship Support PP&E		
3. Combat Vehicles		
A. Tracked		
B. Wheeled		
C. Towed		
D. Other		
E. Combat Vehicles Support Principal End Items		
F. Other Combat Vehicles Support PP&E		
4. Guided, Self-propelled Ordnance		
A. Missiles		
B. Torpedoes		
C. Guided, Self-propelled Ordnance Support Principal End Items		
D. Guided, Self-propelled Ordnance Support PP&E		
5. Space Systems		
A. Satellites		
B. Space Systems Support Principal End Items		
C. Other Space Systems Support PP&E		

Figure 11-2



- 6. Other
  - A. Other Weapon Systems
  - B. Other Weapon Systems  
Support Principal End Items
  - C. Other Weapon Systems  
Support PP&E
- 7. Weapon Systems Support Real Property
  - A. Active Ammunition Bunkers
  - B. Active Missile Silos
  - C. Active Satellite Ground Stations
- 8. General Mission Support PP&E

★Figure 11-2 (Cont.)

★1103 HERITAGE ASSETS★110301. General.

★A. The DoD Components shall report the quantities, additions, and deletions of Heritage Assets under their control in a Supplemental Stewardship Report titled, “Heritage Assets” (Figure 11-3). Information regarding the general condition of Heritage Assets is required in the narrative statement.

B. Heritage Assets are items that are unique for one or more of the following reasons:

- 1. Historical or natural significance;
- 2. Cultural, educational or artistic importance; or
- 3. Significant architectural characteristics.

C. Heritage Assets are generally expected to be preserved indefinitely.

★110302. Reporting Guidance.

★A. The quantity of Multi-use Heritage Assets (i.e., Heritage Asset buildings used predominantly for government operations) shall be included in the quantities disclosed in this report even when these assets are also accounted for as General PP&E.

B. Specific guidance for the preparation of the report follows.

1. Reporting Categories. Heritage Assets shall be reported by type within the two following categories:



a. Collection Type. The Collection Type category includes items gathered and maintained for exhibition such as museum collections, art collections, and archival collections. The Collection Type category contains four subcategories: Archeological Artifacts, Archival, Artwork, and Historical Artifacts. Definitions of each subcategory can be found in the a draft Accountability Regulation to be issued by the OUSD(A&T).

b. Non-Collection Type. The Non-Collection Type category includes real property PP&E that exemplify the characteristics that make Heritage Assets unique and/or are eligible for or listed on the National Register. The Non-Collection category contains four subcategories: Archeological Sites, Buildings and Structures, Cemeteries, and Memorials and Monuments. Definitions of each subcategory can be found in the Accountability Regulation issued by the OUSD(A&T).

2. Column (a). Examples of Heritage Assets within the two categories (Collections Type and Non-Collection Type) of Heritage Assets are provided in Figure 11-3. Do not list PP&E categories that are not applicable. Additional PP&E categories may be listed, as appropriate.

HERITAGE ASSETS For Fiscal Year Ended September 19CY					
(a)	(b) Measurement <u>Quantity</u>	(c) As Of <u>10/01/CY</u>	(d) <u>Additions</u>	(e) <u>Deletions</u>	(f) As Of <u>9/30/CY</u>
<u>Collection Type</u>					
1. Archeological Artifacts	Cubic Feet				
2. Archival	Linear Feet				
3. Artwork	Item				
4. Historical Artifacts	Item				
<u>Non-Collection Type</u>					
5. Archeological Sites	Site				
6. Buildings and Structures	Item				
7. Cemeteries	Site				
8. Memorials and Monuments	Item				
<u>Narrative Statement:</u>					

★Figure 11-3

3. Column (b). The DoD Components must use the measurement method for each category shown in Column (a).

4. Column (c). Report the quantity in Column (a) of Heritage Assets as of the close of the prior year (or as of the first day of the reporting year) for each line. Because of the clarification to be issued in the Accountability Regulation, the Components may need to reclassify assets reported in FY 1998 between categories. For FY 1999, this column may not agree to the quantity for the category at the end of FY 1998. The reclassifications made between categories should be explained in the narrative statement to the table.



5. Column (d). Report the increase in the number of Heritage Assets by type. When an increase is significant, it should be explained in the narrative statement to the table (i.e., identify whether by donation, purchase, etc.).

6. Column (e). Report the decrease in the number of Heritage Assets by type. When a decrease is significant, it should be explained in the narrative statement to the table (i.e., identify the decrease was by sale, exchange, donation, abandonment, etc.).

7. Column (f). Report the year-end balance for each type.

8. Narrative Statement. The report shall include a narrative statement that provides the following:

a. Information on the process used to establish assets as Heritage Assets.

b. Information pertaining to significant increases or decreases in the quantities of Heritage Assets, as shown in Columns (c) and (d). The information should identify or describe significant sales, exchanges, donations, etc.

★c. Information pertaining to the condition of the Heritage Assets. The measurement of condition must be applied to the entire class and is, therefore, general in nature. The criteria used to establish the condition should be explained in sufficient detail to allow readers of the report to understand the measurement. The discussion may, for example, provide information on whether the condition of the assets is generally improving or deteriorating.

★d. A statement, if applicable, that financial information pertaining to multi-use heritage assets is included in the balance sheet.

#### ★1104 STEWARDSHIP LAND

##### ★110401. General.

A. The DoD Components shall disclose the quantities and condition of Stewardship Land under their control in a Supplemental Stewardship Report titled, “Stewardship Land” (Figure 11-4). Specific guidance for the preparation of the report is provided below.

★B. A military base or installation predominantly comprised of Stewardship Land may also include General PP&E land, when that land was subsequently purchased. General PP&E land shall not be reported in the Supplemental Stewardship Report; rather, the cost of that land shall be reported on the Balance Sheet.

C. Some Stewardship Land may have a dual identity, as both Stewardship Land and a Heritage Asset (i.e., a battlefield or cemetery), and should be reported in both Supplemental Stewardship Reports. Guidance for reporting Heritage Assets is provided at paragraph 1103, above.



★110402. Stewardship Land Supplemental Report. Specific guidance for the preparation of the Stewardship Land Supplemental Report follows.

A. Column (a). Report the number of acres of Stewardship Land based on the predominant use of the land. The predominant use categories are defined as follows:

1. Mission. Stewardship Land used as military bases, installations, training ranges, or other military mission related functions shall be reported as mission.

2. Parks and Historic Sites. Battlefields, cemeteries, and memorials. These sites should also be reported as Heritage Assets. Other land included as a Heritage Asset should also be reported here.

3. Wildlife Preserves. Stewardship Land on a DoD installation which is designated a Wildlife Preserve.

B. Column (b). Report the number of acres for each category as of the close of the prior year (or as of the first day of the beginning of the reporting year).

C. Columns (c) and (d). Report any changes during the reporting year. Report acreage increases in Column (c) and decreases in Column (d).

D. Column (e). Report the total acreage by category as of the end of the reporting year.

STEWARDSHIP LAND For Fiscal Year Ended September 30, 19CY (Acres in Thousands)				
(a)	(b)	(c)	(d)	(e)
<u>Land Use</u>	<u>As Of</u> <u>10/01/CY</u>	<u>Additions</u>	<u>Deletions</u>	<u>As Of</u> <u>09/30/CY</u>
1. Mission				
2. Parks & Historic Sites				
3. Wildlife Preserves				
Totals				
<u>Narrative Statement:</u>				

★Figure 11-4

E. Narrative Statement. The report shall include a narrative statement that provides the following:



1. Information pertaining to significant increases or decreases in the acreage of Stewardship Land, as shown in Columns (c) and (d). The information should identify or describe significant sales, exchanges, donations, etc.

2. Information pertaining to the condition of the Stewardship Land.

★1105 INVESTMENT IN NON-FEDERAL PHYSICAL PROPERTY

★110501. General. The DoD Components shall disclose in a Supplemental Stewardship Report the expenses included in calculating the net cost of Investments in Non-Federal Physical Property (INPP) programs. The dollar amount of those investments shall be disclosed for the reporting year (current year) and the preceding four years. Additional years' data also may be reported if such data would provide a better indication of the nature of the investment.

110502. Definition. The INPP refers to those recorded acquisition or estimated costs incurred by DoD from the transfer of DoD property, and the purchase, construction, or the major renovation of physical property that will be or is owned by state and local governments, including major additions, alterations and replacements; the purchase of major equipment; and the purchase or improvement of other physical assets. Grants for maintenance and operations are not considered investments.

110503. Measurement.

A. The INPP shall be measured on the same basis of accounting as used for financial statement purposes, including appropriate accrual adjustments, general and administrative overhead, and costs of facilities. Amounts shall be reported in nominal dollars.

B. Cash grants related to Non-Federal Physical Property programs are recognized and reported as expenses in arriving at the net cost of operations.

C. Expenses incurred for Non-Federal Physical Property program costs, contracts, or grants with split purposes shall be reported on the basis of an allocation of the expenses. If allocation is not feasible, the investment shall be reported on the basis of the predominant application of the expense or transfer. An example of an investment with a split purpose is a grant issued to a state government to construct an armory and to conduct military construction safety research.

★110504. Minimum Reporting.

A. The annual INPP shall be reported, including a description of federally-owned physical property transferred to state and local governments. The annual investment includes more than the annual expenditure reported by character class for budget execution. The annual investment is the full cost of the investment. This information will be provided for the current year and each of the four years preceding that year. If data for additional years would provide a better indication of the investment, reporting of the additional years' data is encouraged. However, because existing DoD financial systems do not readily support reporting INPP on the same basis of accounting as used for financial statements, which include accrual



adjustments, general and administrative overhead, and costs of facilities, INPP costs disclosed in this report shall be derived from alternative financial sources of the highest quality, until financial systems support the foregoing approach.

B. Reporting shall be at a meaningful category or program. The report for disclosing INPP, provided below (Figure 11-5), identifies National Defense Mission Related, Environmental Improvement, Base Realignment and Closure, and Other as the most probable categories. Disaggregation of these categories and other information may be provided in the notes to this Supplemental Stewardship Report, if the costs are significant and warrant individual disclosure.

C. In some cases, the information called for above is not available because the DoD Components have maintained records on the basis of outlays rather than expenses. For some DoD Components, to reconstruct their accounts on the basis of expense data may be impracticable. In this situation, the DoD Components shall continue to report historical data on an outlay basis for any years for which reporting is required and for which expense data are not available. If neither historical expense nor outlay data are available for each of the five years, the DoD Components shall report only expense data for the current reporting year and such other years as available.

D. Reporting shall include a description of the categories or programs involving INPP, as well as a description of programs or policies under which noncash assets are transferred to state and local governments.

110505. Non-Federal Physical Property Supplement Report. The Non-Federal Physical Property information shall be disclosed in the report format (Figure 11-5) provided below.

A. The report provides information in columnar form. The columns in the report shall provide the following information:

1. Column (a). Identify and list the appropriate categories and programs for grouping like INPP. Transferred Assets are assets that have a physical existence (buildings, land, etc.), as opposed to monetary (funds). Funded Assets result from DoD payments (funding the acquisition of an armory), as opposed to providing physical assets.

2. Columns (b), (c), (d), (e), and (f). Report the investments in state or local governments by fiscal year. Report the investments for the reporting year (FY CY) in Column (f). Report the investments for the appropriate fiscal years in Columns (b), (c), (d), and (e). Column (e) is the year immediately prior to the reporting year and is labeled "FY CY-1." Column (d) is two years prior to the reporting year and is labeled "FY CY-2." This logic continues through Columns (c) and (b), "FY CY-3" and "FY CY-4."

3. Reported INPP are not cumulative, are reported in millions of dollars, and represent only INPP incurred for the year shown in the appropriate Columns (b), (c), (d), (e), and (f).



4. Narrative Statement. A narrative statement shall be included in the report and shall contain a description of the categories and programs, including a description of programs or policies under which noncash assets are transferred to state and local governments. For transfers of noncash assets, when the value of the assets materially differs from the expense reported, the narrative statement will address this difference.

★5. The report shall also include the following language as a footnote:  
 “Investment values included in this Report are based on Research and Development(R&D) outlays (expenditures). Outlays are used because current DoD systems are unable to capture and summarize costs in accordance with the accounting standards.”

NON-FEDERAL PHYSICAL PROPERTY Yearly Investment in State and Local Governments For Fiscal Years (Preceding 4 <sup>th</sup> Fiscal Year) through FY 19CY (In Millions of Dollars)					
(a) <u>Categories</u>	(b) <u>FY CY-4</u>	(c) <u>FY CY-3</u>	(d) <u>FY CY-2</u>	(e) <u>FY CY-1</u>	(f) <u>FY CY</u>
Transferred Assets:					
1. National Defense Mission Related					
2. Environmental Improvement					
3. Base Closure and Realignment					
4. Other					
Total					
Funded Assets:					
1. National Defense Mission Related					
2. Environmental Improvement					
3. Base Closure and Realignment					
4. Other					
Total					
Grand total					
Narrative Statement: Monetary value disclosed above represents amount reported as an expense in the Statement of Net Costs, additional material disclosures are provided below.					
1. (Example: Provided here are material disclosures where the value of property differed from that reported as an expense, above.					
	<u>Value</u>	<u>Recovery</u>	<u>Expense</u>		
• Base closure assets:					

★FIGURE 11-5

★1106 RESEARCH AND DEVELOPMENT

★110601. General. The DoD Components shall disclose in a Supplemental Stewardship Report information pertaining to their research and development programs. A



report (Figure 11-6), titled “Investment in Research and Development,” shall be used to disclose expenses incurred for research and development programs.

★110602. Definition. Investment in R&D refers to those expenses incurred in the search for new or refined knowledge and ideas and for the application or use of such knowledge and ideas for the development of new or improved products and processes with the expectation of maintaining or increasing national economic productive capacity or yielding other future benefits. All material amounts of DoD R&D shall be reported in the table provided at Figure 11-6.

★110603. R & D is composed of:

A. Basic Research: Basic Research is the systematic study to gain knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications toward processes or products in mind.

B. Applied Research: Applied Research is the systematic study to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met.

C. Development: Development is the systematic use of the knowledge and understanding gained from research for the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes.

★110604. Measurement. The following reporting requirements are applicable to DoD R&D programs.

A. The financial investment amounts reported shall be measured on the same basis of accounting as used for financial statement purposes, including appropriate accrual adjustments, general and administrative overhead, and costs of facilities. Amounts shall be reported in nominal dollars.

B. The R&D amounts are also recognized and reported as expenses in arriving at the net cost of operations.

C. By not later than FY 2000, the DoD Components shall provide information on the outcomes for the R&D programs for which investments are reported. If outcome data are not available, the outputs that best provide indications of the intended program outcomes shall be used until outcome data are available. Definitions and characteristics of outputs and outcomes follow.

1. Output. When appropriate, significant and substantial scientific outputs shall be presented as a tabulation, calculation, or recording of activity or effort that can be expressed in an aggregated and brief quantitative or qualitative manner. Outputs shall have two key characteristics: (1) an output shall be systematically or periodically captured through an accounting or management information system, and (2) there shall be a logical



connection between the reported measure and the R&D program's purpose. In research and development programs, this could consist of data for the year concerning the number of new projects initiated, the number continued from the prior year, the number completed and the number terminated. It also could consist of such quantitative measures as bibliometrics (for example, publication counts, citation counts and analysis, and peer evaluation); patent counts and analysis; science indicators that assess the ongoing vitality of the research.

2. Outcome. When appropriate, outcomes shall be presented in a aggregated and brief manner as an assessment of the results of a program compared to its intended purpose. Because of the difficulty of measuring the results of research and development programs in financial, economic, or quantitative terms, outcome data for such programs shall consist of a narrative discussion of the major results achieved by the program during the year, such as:

a. Basic Research. An identification of any major new discoveries that were made during the year.

b. Applied Research. An identification of any major new applications that were developed during the year.

c. Development. The progress of major developmental projects including the results of projects completed or otherwise terminated during the year and the status of projects that will continue.

3. Outcome information should be concisely written in a plausible manner for judging the extent to which the program is achieving its purpose.

★110605. Reporting Requirements.

★A. The DoD Component shall report the R&D made in the year ended this reporting period, as well as the investments in the 4 years preceding that year. In those unusual instances when there is no historical data, only the current reporting year data shall be reported. Reporting shall be at the category levels indicated in Figure 11-6. At a minimum, DoD components should report the FY 1998 amounts reported last in addition to the FY 1999 amounts. Reporting shall be at the category levels indicated in Figure 11-6.

★B. Existing DoD financial systems do not readily support reporting R&D on the same basis of accounting as used for financial statements, which include accrual adjustments, general and administrative overhead, and costs of facilities. Until financial systems support the foregoing approach, R&D costs disclosed in this report shall be derived from R&D outlays reflected in budget execution 1002 reports, "Appropriation Status by Fiscal Year Program and Subaccounts." Only unreimbursed costs that are direct to the reporting Component shall be reported. The 1002 report categories are provided below.

1. Basic Research. In the DoD budget, Basic Research is categorized as Budget Activity 1. Basic Research is defined as systematic study directed toward greater



knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications towards processes or products in mind.

a. Explanation. Basic Research includes all efforts of scientific study and experimentation directed toward increasing fundamental knowledge and understanding in those fields of the physical, engineering, environmental, and life sciences related to long-term national security needs. It provides farsighted, high payoff research that provides the basis for technological progress. It forms a part of the base for: (a) subsequent applied research and advanced technology developments in Defense-related technologies, and (b) new and improved military functional capabilities in areas such as communications, detection, tracking, surveillance, propulsion, mobility, guidance and control, navigation, energy conversion, materials and structures, and personnel support.

2. Applied Research. In the DoD budget, Applied Research is categorized as Budget Activity 2. Applied Research is defined as systematic study to gain knowledge or understanding necessary to determine the means by which a recognized and specific need may be met. It is a systematic application of knowledge toward the production of useful materials, devices, and systems or methods, including design, development, and improvement of prototypes and new processes to meet specific requirements.

a. Explanation. Applied Research translates promising Basic Research into solutions for broadly defined military needs, short of development projects. This type of effort may vary from systematic mission-directed research beyond that in basic research to sophisticated bread-board hardware, study, programming and planning efforts that establish the initial feasibility and practicality of proposed solutions to technological challenges. It includes studies, investigations, and nonsystem specific technology efforts. The dominant characteristic of this category of effort is that it be pointed toward specific military needs with a view toward developing and evaluating the feasibility and practicability of proposed solutions and determining their parameters.

3. Development. Development is a systematic use of the knowledge or understanding gained from research, directed toward the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes. Investments in Development shall be subdivided into a five-line presentation. The five lines correlate to the following budget activity categories: Budget Activity 3, Advanced Technology Development; Budget Activity 4, Demonstration and Validation; Budget Activity 5, Engineering and Manufacturing Development; Budget Activity 6, Research, Development, Test and Evaluation Management Support; and, Budget Activity 7, Operational System Development.

a. Advanced Technology Development. Includes all efforts that have moved into the development and integration of hardware for field experiments and tests. The results of this type of effort are proof of technological feasibility and assessment of operability and producibility rather than the development of hardware for service use. Projects in this category have a direct relevance to identified military needs. Advanced Technology Development is used to demonstrate the general military utility or cost reduction potential of technology when applied to different types of military equipment or techniques. Advanced



Technology Development also includes evaluation and synthetic environment and proof-of-principle demonstrations in field exercises to evaluate system upgrades or provide new operational capabilities. Projects in this category do not necessarily lead to subsequent development or procurement phases.

b. Demonstration and Validation. The demonstration and validation (Dem/Val) phase includes all efforts necessary to evaluate integrated technologies in as realistic an operating environment as possible to assess the performance or cost reduction potential of advanced technology. The Dem/Val phase is system specific and also includes advanced technology demonstrations that help expedite technology transition from the laboratory to operational use.

c. Engineering and Manufacturing Development. Includes those projects in engineering and manufacturing development for Service use but which have not received approval for full-production.

d. Research, Development, Test and Evaluation Management Support. Includes R&D effort directed toward support of installations or operations required for general research and development use. Included would be test ranges, military construction, maintenance support of laboratories, operation and maintenance of test aircraft and ships, and studies and analyses in support of the research and development program.

e. Operational System Development. Includes those development projects in support of development acquisition programs or upgrades still in engineering and manufacturing development, but which have received Defense Acquisition Board or other approval for production, or production funds have been included in the DoD budget submission for the budget or subsequent fiscal year.

C. A narrative description of the major research and development programs, those considered significant and substantial, shall be included in the notes. The narrative will address significant and substantial scientific elements or projects that compose the major programs contained in the report.

★110606. Investment in R & D Report. The R&D information described above shall be disclosed in the report format (Figure 11-6) provided below.

A. The report provides information in columnar form. The columns in the report shall provide the following information:

1. Column (a). The report for disclosing R&D, provided below (Figure 11-6), identifies categories and subcategories. Information shall be provided for the categories illustrated in Figure 11-6. When appropriate, additional meaningful category or program information may be provided in the narrative statement.

2. Columns (b), (c), (d), (e), and (f). Report the investments for the reporting year (FY CY) in Column (f). Report the investments for the appropriate prior fiscal years in Columns (b), (c), (d), and (e). Column (e) is the year immediately prior to the reporting



year and is labeled “FY CY-1.” Column (d) is two years prior to the reporting year and is labeled “FY CY-2.” This logic continues through Columns (c) and (b), “FY CY-3” and “FY CY-4.”

3. Reported R&D are not cumulative, are reported in millions of dollars, and represent only investments incurred for the year shown in the appropriate Columns (b), (c), (d), (e), and (f).

4. A narrative statement shall be included in the report and shall contain a description of significant and substantial scientific accomplishments or program discontinuance for each category identified in Figure 11-6. These disclosures shall be developed so as to satisfy the outputs and outcomes requirements discussed above.

INVESTMENTS IN RESEARCH AND DEVELOPMENT Yearly Investment in Research and Development For Fiscal Years (Preceding 4th Fiscal Year) through FY 19CY (In Millions of Dollars)					
(a) <u>Categories</u>	(b) <u>FY CY-4</u>	(c) <u>FY CY-3</u>	(d) <u>FY CY-2</u>	(e) <u>FY CY-1</u>	(f) <u>FY CY</u>
1. Basic Research					
2. Applied Research					
3. Development					
Advanced Technology Development					
Demonstration and Validation					
Engineering and Manufacturing Development					
Research, Development, Test and Evaluation					
Management Support					
Operational Systems Development					
Total					
<u>Narrative Statement:</u>					

★Figure 11-6